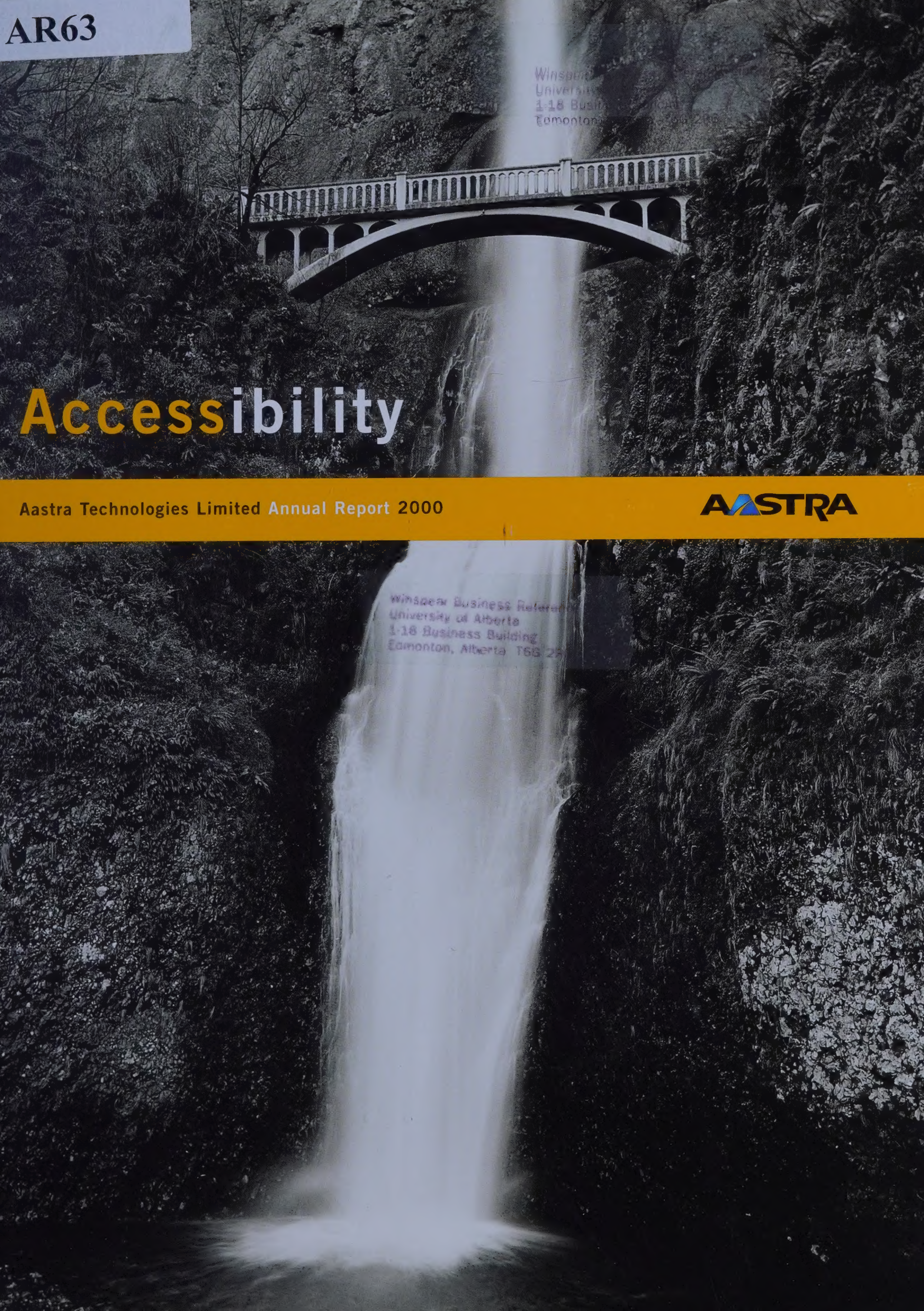
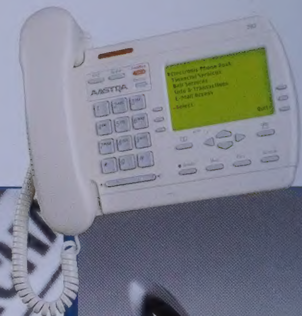


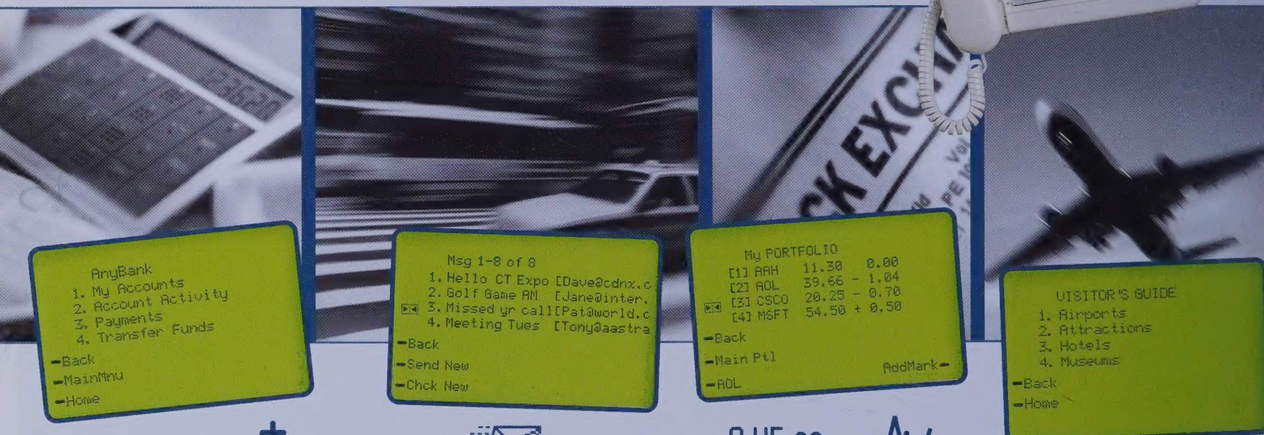
Accessibility

Aastra Technologies Limited Annual Report 2000

AASTRA

A Day In The Life Of Our Access Solution





7:00 AM

balance checkbook...cover bills...
prompt payment discount....

8:30 AM

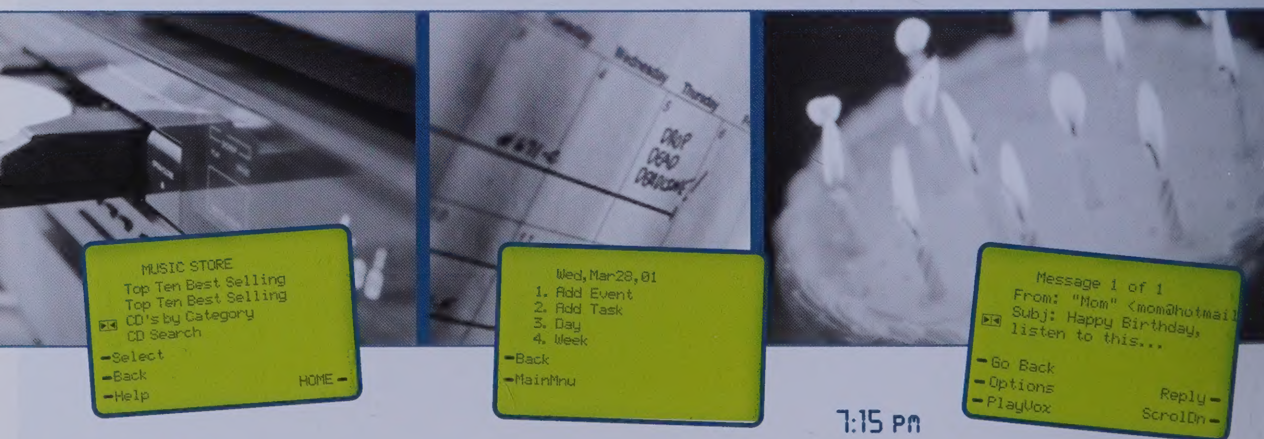
so many addresses...
one unified mailbox...

9:45 AM

markets open...
check investments...

12:15 PM

holiday plans... research
hotels... book flight



3:00 PM

find that tune... listen first...
order CD...

4:30 PM

another meeting...
check date on-line...

7:15 PM

email from mom...
voice message attached...
the whole family's
singing along...

AASTRA

The focal point of communication. Voice, data, and the Internet, at your fingertips and instantly connected. Affordable, reliable and convenient.

A leading-edge network solution delivering the Internet - and other audio and information programming - to Aastra's line of screen phones.

The Company

Aastra Technologies Limited develops and markets communication access solutions. These solutions include an extensive product line of branded, multi-featured telephones and a screen phone Internet access solution.

Aastra in 2000

Another fantastic year! Again, record earnings and a strong balance sheet. Achieved successful integration of Nortel telephone set business. Developed an affordable Internet access solution. Acquired and developed new technologies for the years ahead. Continued focus on R&D for tomorrow's access solutions.

BELL® Equipment
SONECOR

AASTRA TELECOM
Exclusive Licensee for Telephones

Contents

Nortel Acquisition

On December 10, 1999, Aastra entered into an asset purchase agreement with Nortel Networks Corporation to acquire certain assets relating to consumer and non-proprietary business CLASS telephone sets. The purchase closed on January 25, 2000.

Assets acquired include product manufacturing tools, certain intellectual property, test equipment, and contracts. As part of the asset purchase agreement, Nortel assigned contracts representing over 200 customers to Aastra.

Also included in the acquisition are over 20 design patents and certain trademarks including Vista®, PowerTouch®, Venture®, Maestro®, Nomad®, Symphony®, Prevue®, QuickTouch®, and Jazz®. In addition, Aastra acquired the technology rights to partially developed products including Internet appliances and cordless telephones.

Operational Highlights

NORTEL ACQUISITION COMPLETED

January 25, 2000 : A successful private equity placement of $55 million enabled Aastra to close the $43 million acquisition of certain assets of Nortel Networks Access Solutions Division and begin integration.

FAST-TRACKED AGAIN

October 2000 : Aastra is recognized for the second year in the Canadian Technology Fast 50, Deloitte and Touche's annual ranking. This ranking cites Aastra as Canada's 14th fastest growing technology company based upon a 5 year 2,223% growth in revenue.

ENTREPRENEUR OF THE YEAR®

November 5, 2000 : Francis Shen, Chairman & CEO, received Ernst & Young's prestigious Ontario Entrepreneur of the Year® Award for Technology and Communications.

ACQUISITION OF GLOBAL ADSI SOLUTIONS, INC.

November 7, 2000 : Aastra acquires a leading-edge software solutions company for $3.1 million. The company's Analog Display Services Interface server-based software enables Aastra's Vista/PowerTouch screen phones to access the Internet.

STRONG SALES AND EARNINGS CONTINUED

December 31, 2000 : Aastra reports its 15th consecutive record quarter. Net Sales for the 4th Quarter reached $55 million with Net Income of $6.2 million. For the year, Net Sales reached $189 million with Net Income of $17.2 million.

RECORD CASH POSITION

December 31, 2000 : Aastra closed the fiscal year with $50 million in cash.

NORTEL NETWORKS™

CANADIAN TECHNOLOGY FAST 50

ENTREPRENEUR OF THE YEAR

The Global ADSI Solutions, Inc. Acquisition

NETWORK SOLUTIONS EXTEND SCREEN PHONE LEADERSHIP

On November 1, 2000, Aastra entered into an agreement to acquire all the outstanding shares of Global ADSI Solutions, Inc. (Global) for $3.1 million (US$2 million) in cash. Global is a privately held company located in New Jersey that produces leading edge software solutions for screen-based telephony networks. The purchase closed on November 7, 2000.

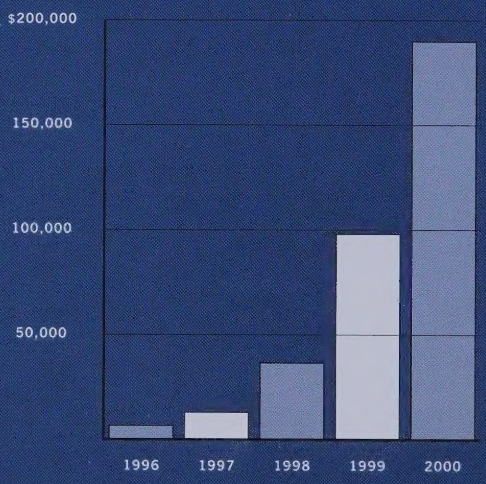
Global has developed technologies that enable service providers to offer both voice and data communication between systems and screen phones such as Aastra's Vista/PowerTouch 350s and 390s. Global's product solutions are based on Bellcore's Analog Display Services Interface (ADSI) standard. In 1999, Global expanded its server solution to access the Internet for e-mail and certain XML based content. This system was launched for British Telecom and has now grown to support in excess of 100,000 e-mail boxes.

With the Global server platform and Aastra's line of ADSI-enabled screen phones, Aastra now offers end-to-end screen-based telephony network solutions.

Financial Strength

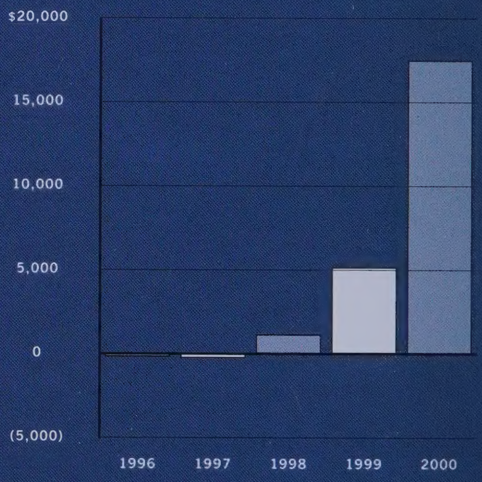
NET SALES

$ THOUSANDS



NET INCOME

$ THOUSANDS



Net Sales Growth	94%
Net Income Growth	233%
Return on Equity	37%

Financial Highlights

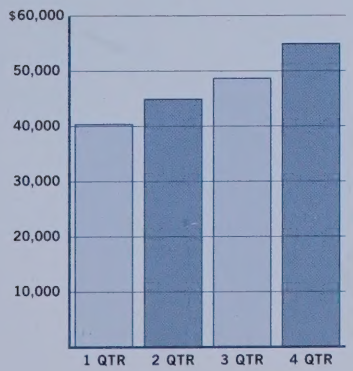
(In thousands of dollars - except per share data)

	2000	1999	1998	1997	1996
Financial Performance					
Sales to Telcos	$ **146,316**	56,436	18,426	6,889	4,541
Sales to Retailers	**42,256**	40,627	18,512	5,676	890
Other	**79**	6	235	570	1,234
Net Sales	$ **188,651**	97,069	37,173	13,135	6,665
Operating Income (Loss)	$ **25,213**	8,416	1,754	(294)	(277)
Interest Expense (Income)	$ **(1,805)**	(19)	72	86	5
Net Income (Loss)	$ **17,184**	5,155	1,343	(380)	(193)
Basic Earnings (Loss) Per Share	$ **1.35**	0.55	0.16	(0.05)	(0.03)
Fully Diluted Earnings Per Share	$ **1.26**	0.51	0.16	-	-
Financial Position					
Net Working Capital	$ **54,847**	11,261	5,727	3,176	3,438
Total Assets	$ **127,333**	27,334	14,014	6,598	7,162
Shareholders' Equity	$ **80,496**	12,695	7,187	4,836	5,216
Book Value Per Share	$ **5.63**	1.32	0.78	0.62	0.67
Debt to Equity Ratio	**0.6 to 1**	1.2 to 1	0.9 to 1	0.4 to 1	0.4 to 1
Common Shares Outstanding	**14,285**	9,596	9,218	7,797	7,797

Note: On May 23, 1997, the company completed a six for one share consolidation. All per share figures have been adjusted to reflect this consolidation.

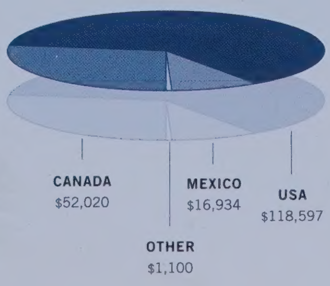
2000 NET SALES BY QUARTER

$ THOUSANDS



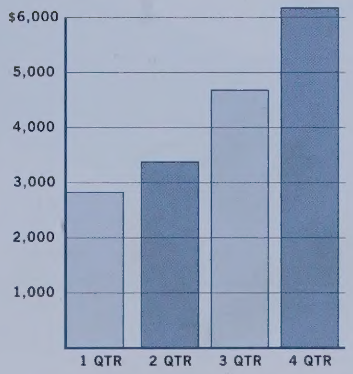
NET SALES BY REGION

$ THOUSANDS



2000 NET INCOME BY QUARTER

$ THOUSANDS



Access Leadership

INNOVATIVE PRODUCTS

TOP-NAME BRANDS

EXTENSIVE EXPERTISE

VOICE & DATA NETWORK SOLUTIONS

Corporate Profile

Over the last several years, Aastra has established a preeminent position in telephony products.

Now, the Company extends its recognized leadership in personal telecommunication to deliver a new world of Internet accessibility.

Aastra develops and markets communication systems for accessing the public switch telephone network (PSTN) and the Internet. Products include a full range of telephone terminals including basic corded, multi-line, and cordless phones, with a variety of display features. The Company also provides a screen phone and server system capable of accessing Internet information such as XML content and e-mail.

The Company serves the majority of Telcos across North America, with a growing presence in Latin America. On the retail side, Aastra is the exclusive licensee of BELL® branded telephone products. With extensive telecommunication expertise, innovative products, and top-name brands, Aastra is well positioned to be the vendor of choice for telecommunication products in the 21st century. The Company also provides a comprehensive telephony network access solution for both enterprise and consumers.

History

A tradition of quality and innovation.

Aastra was formed in 1970 as an engineering service company providing technology development for the aerospace and defence market. In 1992, the Company entered the telecommunications business and began to develop and market consumer-oriented products. In 1996, it acquired an exclusive license from The Southern New England Telephone Company to use the BELL® trademark for telephone products.

In January 2000, Aastra acquired certain assets of Nortel Networks Access Solutions Division, including product manufacturing tools, contracts, and intellectual properties. These intellectual properties included trademarks such as Vista and PowerTouch. In addition, Aastra acquired the technology rights to partially developed products including Internet appliances and cordless telephones. In November 2000, Aastra acquired Global ADSI Solutions, Inc. which provides server-level software solutions that enable Aastra's screen phones to access the Internet.

Markets

Our channels include all major Telcos and the largest retail outlets in North America.

The Company supplies all the major telephone companies in Canada, the United States, and Mexico with telephones and telephony products. Aastra's products can also be found in most major retailers and markets in North America.

Research & Development

Shaping the future of telecommunication technology.

With an affordable access solution to the Internet conceptually developed, the next stage is to implement these systems in the marketplace. Aastra is currently working with a number of partners to evolve the ADSI system to a commercial level.

In addition to developing telephony access solutions for the Internet, Aastra is investing significantly in the development of Voice Over IP and wireless technologies, including Bluetooth. A significant portion of this on-going technology development is through partnership with other companies.

Products and Services

ACCESS : PUBLIC TELEPHONE NETWORKS

Essential products for personal telecommunication

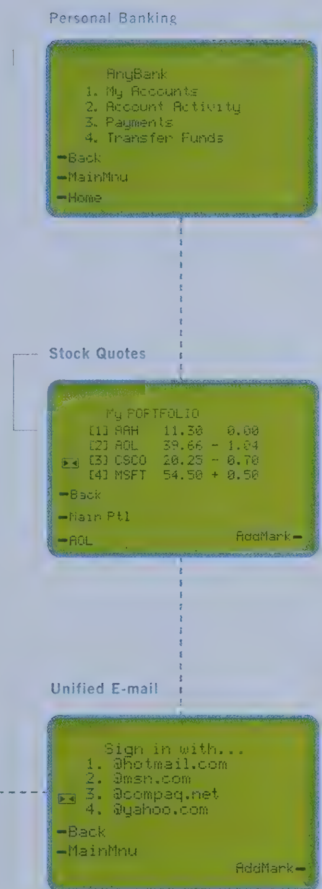
Over 70 different communication terminals ranging from basic to multi-featured, from telephone adjuncts to screenphones. The products are either privately branded by our client Telcos or sold under the BELL® trademark.

ACCESS : THE INTERNET

The scope of the Internet... with the simplicity of a telephone

This end-to-end server and screen phone solution provides instant and affordable access to the Internet. Our access solution utilizes server-level technology, the Analog Display Services Interface (ADSI), and a complement of compatible screen phones to offer:

- Instant on
- Unified e-mail access
- One-touch to favorites
- Access to WAP sites
- Secure transactions
- Unique combined voice & data services



A focal point for communication

Two highlights of 2000 — our integration of Nortel Networks Access Solutions Business and the acquisition of Global ADSI Solutions, Inc. — are excellent demonstrations of Aastra's ability to leverage opportunities.

Message to Shareholders

The year 2000 was another incredible year for Aastra. We have worked diligently to properly integrate our acquisition of Nortel Networks Access Solutions' Business, while acquiring a leading-edge technology that enables our screen phones to access Internet content.

Aastra again achieved record-breaking financial results: revenues reached $189 million with earnings of $17 million. Earnings per share increased to $1.35, a 145% increase from $0.55 in 1999. While our earnings per share rose significantly, our return on equity dropped from 52% to 37%, a return still considered superior.

An evaluation of our return on equity must take into consideration that, as of December 31, 2000, Aastra had approximately $50 million in cash. With Aastra's equity base of $80 million, only 38% of equity was deployed. During an uncertain market, this strong cash position enables Aastra to continue to capitalize on numerous opportunities.

Two highlights of 2000 - our integration of Nortel Networks Access Solutions Business (ASB) and the acquisition of Global ADSI Solutions, Inc. - are excellent demonstrations of Aastra's ability to leverage opportunities.

INTEGRATION OF NORTEL NETWORKS ACCESS SOLUTIONS BUSINESS

When we acquired Nortel Networks ASB, the business had negative earnings. Our analysis: Aastra's management and cost structure could return the business to profitability. Twelve months later, this is clearly reflected in our numbers.

The integration of Nortel Networks ASB was not without challenges, including shortages of components, and consolidation amongst both clients and suppliers.

Overall, ASB's pre-acquisition transaction volume was more than 10 times Aastra's. Prior to the acquisition, a typical Aastra purchase order would consist of large quantities of a few products. Nortel's ASB purchase orders were typically smaller in individual dollar amount while covering numerous items. The majority of ASB orders were processed through an electronic data interchange (EDI) system.

Key to successful integration was upgrading Aastra's infrastructure to accommodate these larger, more complex transactions. This included implementing a virtual private network, hiring more staff, and establishing business-to-business e-commerce systems.

The acquisition of Nortel Networks ASB has proven our ability to manage and integrate a significant acquisition. It has also raised our operational infrastructure to world class standards. In the process, we have acquired products and technologies that secure our continued leadership in the telephone terminal industry.

ACQUISITION OF GLOBAL ADSI SOLUTIONS, INC. (GLOBAL)

In November of last year, we acquired Global ADSI Solutions, Inc. Global provides server software that compliments the Analog Display Services Interface (ADSI) capabilities of our Vista/PowerTouch 390, a product acquired as part of the Nortel ASB portfolio. The key attribute of Global's technology is to provide access to the Internet for e-mail and XML based content, and to deliver this content to screen phones. We view the Global acquisition as an opportunity to offer an end-to-end Internet access solution.

FINANCIAL HIGHLIGHTS

As indicated earlier, our return on equity dropped from 52% to 37% and of the asset base of $127 million, $50 million was in the form of cash or marketable securities as of year end 2000.

During 2000, Aastra's management was concerned that with 40% of assets held as cash, the deployment of our resources was inefficient. However, we were in a capital and commercial market that had extremely unrealistic expectations. Values of securities and resources were grossly inflated. During the year, we were presented with a number of investment opportunities ranging from technology development to acquisitions. Most of these opportunities were either over-priced, over-promised or too early to market.

This considered, we first invested in ourselves through a $5 million stock buyback. Then, we allocated $3 million as an initial payment for Global. We are fortunate that going into 2001, with $50 million in cash and an operation that continues to generate cash, the market will continue to offer outstanding opportunities.

In our last annual report, we predicted revenue growth to exceed 100%. Our actual revenue growth was 94%. However, earnings growth surpassed our expectations by reaching $17 million.

Last year, we forecast revenue, with the caveat that earnings were uncertain. In this year's uncertain market, we chose not to forecast either revenue or earnings. Instead, we provide you with the parameters of our business and invite your own assessment.

About 38% of our sales are generated from enterprise Centrex telephones that are primarily sold in North America. With an economic slow-down, these sales will likely decline. On the other hand, our Global server solution, enabling Internet access for our screen phones, will encourage new sales growth of our Vista/PowerTouch series. Last year, sales in this category - without the promise of the Internet - were about 14% of total revenue. Our expectation: growth from screen phones/server sales will compensate for the decline attributed to business products.

The remaining 48% of our sales are consumer products. Our telephone products remain the fundamental and essential communications appliance for many consumers. Although an economic slow down may also reduce growth in this market, we anticipate that by continuing to introduce exciting new products, this portion of our business will remain consistent.

Finally, we have yet to fully deploy our cash on hand. Our returns will therefore also be dependent on whether appropriate acquisitions will boost current earnings and/or support future growth.

PRODUCTS & TECHNOLOGIES

In 2000, our product line was expanded to include former Nortel telephones. These telephones have achieved tremendous trade dress value.

To make the most of the value of this portfolio, we expanded our in-house R&D capabilities. Our R&D team has more than quadrupled. Aastra now has an advanced technology center in Calgary, a server-based software development team in New Jersey and a systems development group in Toronto.

WEB-ENABLED APPLIANCES

We discovered in the Nortel portfolio an overlooked and undervalued asset : the Vista/PowerTouch 390 screen phone.

This screen phone utilizes a communication protocol developed by Bellcore in 1992, prior to the explosive growth of the Internet. This protocol, Analog Display Services Interface (ADSI), is the same as that used for caller ID services. The ADSI "browser" on these phones has been stable since Nortel launched their first screen phone, the Vista 350 in 1995.

The original design of the system called for the service provider to also be the content provider. With the growth of the Internet, ADSI services remain under-developed. However, the Vista 350 and 390 are popular. To date, over 2 million of these phones were sold in North America. Even with no anticipation of Internet access, Aastra sold 300,000 of these screen phones last year.

As indicated early last year, a significant part of our R&D effort was focused on developing web-enabled appliances. As we mastered WAP content protocols, we discovered that XML content can be mapped onto our ADSI screen phones. Within three months of acquiring Global, we were able to access the Internet and HTML content through the Vista 350 and 390.

The Global server was the other side of the access equation - the enabling technology. Especially noteworthy: our server technology is "backwards" compatible with the installed user base of more than 2 million of our Vista/PowerTouch screen phones already in the market.

OTHER COMMUNICATION TECHNOLOGIES

Web-enabled appliances are targeted to deliver meaningful earnings in the current year. However, we are also investing in technologies to ensure meaningful growth several years from now. These include Bluetooth and Voice-over-IP (VoIP). These have tremendous growth potential, but can also be "bleeding edge". For example, a Bluetooth enabled telephone or a VoIP telephone set offer limited market opportunities with current networks and services.

Deploying these new technologies not only requires excellence in technological execution but accurate prediction of tomorrow's standards and infrastructure. Timing and synergy are paramount: products, network, and content must be complementary.

MANAGING GROWTH

Although we ended 2000 with a record profit, we recognize that continued investment into the future is vital. We have increased our technical staff significantly. More than 50% of our payroll represents engineers and technicians whose efforts are geared to the development of new business opportunities.

Outsourcing continues to help us grow at a very high rate while maintaining product and service excellence. We will continue to manage our growth conservatively by outsourcing manufacturing and services to suppliers with the appropriate core competences.

Over the last four years, we have doubled our revenues annually. We anticipate tremendous opportunities for continued growth. Our focus for this year is three-fold: deploy our Internet access solutions, increase our R&D efforts on the next generation of communication technologies, and continue to acquire complementary businesses.

Aastra began with a plan - and a vision - for telecommunications leadership. Year after year, we have followed our plan and remained true to our vision. We have met our goals, increased revenue and earnings, and made the most of our opportunities. We will continue to follow that plan and vision into the future. We thank our shareholders for their support on this exciting journey.

F. Shen

Anthony Shen

Francis Shen
Chairman & CEO

Anthony Shen
President & COO

March 23, 2001

Technology Terms

ADSI : Analog Display Service Interface: a Bellcore standard for voice and data communications between systems and screen phones. Developed in 1992 and later adopted by the European Telecommunications Standards Institute ("ETSI"), devices that conform to this standard are often referred to as Type III CLASS (Custom Local Area Signaling Services) terminals. Under CLASS, Type I devices are caller ID capable while Type II is caller ID with call waiting capable.

HTTP : HyperText Transfer Protocol is the underlying protocol used to deliver web content to wired devices.

WAP : Wireless Application Protocol is used to deliver Web content to wireless devices.

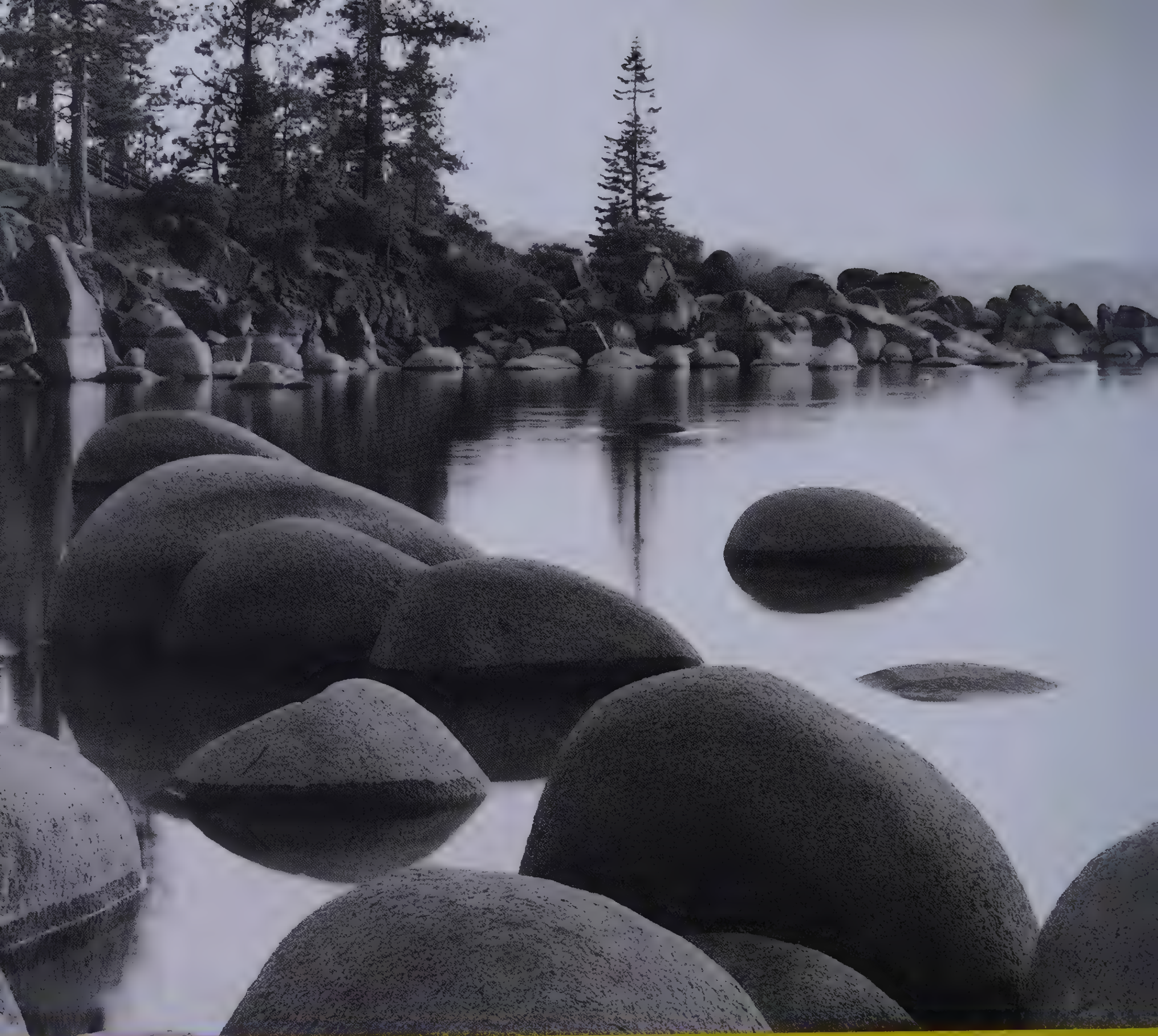
XML : Extensible Markup Language is a web protocol allowing the customization of tags, enabling the definition, transmission, validation, and interpretation of data between applications.

HDML : Handheld Device Markup Language. Originally an Unwired Planet proprietary language preceding the development and introduction of WAP and WML. Currently, many "WAP sites" are coded in HDML.

WML : Wireless Markup Language is an XML based language used to deliver content to WAP devices

HTML : Hyper Text Markup Language is the authoring language used to create documents for the web.

SSL : Secure Socket Layer is a protocol used to encrypt and securely deliver data over the web.



Financial Highlights

- Completed the private placement of 4.4 million common shares for gross proceeds of $55 million.
- Acquired the Access Solutions line of enterprise and screen-based telephones from Nortel Networks for $43 million.
- Acquired New Jersey based Global ADSI Solutions, Inc., a producer of leading edge software solutions for screen-based telephony networks, for $3 million.
- Increased sales by 94%, the Corporation's fourth consecutive year of revenue growth exceeding 90%.
- Increased net income by 233% to $17 million or $1.35 per share.
- Closed 2000 with $50 million or $3.50 per share in cash and marketable securities.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion has been prepared by management and it is a review of the Company's operating results and financial position based upon accounting principles generally accepted in Canada. This discussion and analysis should be read in conjunction with the consolidated financial statements of the Corporation, as well as the notes thereto, for the respective years.

Results of Operations

Year Ended December 31	2000	1999
Net Sales	100.0%	100.0%
Cost of Sales	75.8%	82.1%
Gross Margin	24.2%	17.9%
Operating Expenses:		
Research and Development	2.1%	1.2%
Selling and Administrative	7.3%	7.9%
Amortization	1.5%	0.1%
Interest	-1.0%	0.0%
Earnings Before Income Taxes	14.3%	8.7%
Income Tax Expense	5.2%	3.4%
Net Income	9.1%	5.3%

NET SALES

During the year ended December 31, 2000, net sales increased by 94% to $188.7 million from $97.1 million in 1999. These results represented Aastra's fourth consecutive year of revenue growth exceeding 90%. Revenue growth in 2000 was due primarily to the acquisition of Nortel Networks Access Solutions product line as management focused its efforts on successfully integrating the acquired products.

Net Sales (000's)	2000	1999
Sales to Telco Market	$ 146,316	$ 56,436
Sales to Retail Market	42,256	40,627
Other Revenue	79	6
Net Sales	$ 188,651	$ 97,069

During 2000, the Corporation experienced strong demand in Canada and the United States for its screen-based telephones as well as its analog enterprise telephone sets. Sales of screen-based telephones were $27 million or 14% of sales in 2000. Net sales derived from enterprise telephones were $71 million or 38% of sales in 2000. These product lines were both acquired as part of the Nortel Networks acquisition and are sold primarily in the Telco market.

After driving a significant portion of Aastra's growth during the past three years, sales of caller identification adjuncts declined in 2000 as Telcos in the United States sharply cut back their promotional programs. Caller ID adjunct sales were $17 million or 9% of sales in 2000, down from approximately 30% of sales in 1999. Finally, despite a poor retail market in the United States, sales of corded and cordless telephones for the residential market grew by more than 20% as a result of strong demand in Mexico and increased volume in Canada. Sales of residential corded and cordless telephones contributed $73 million or 39% of the Corporation's revenue during 2000.

GROSS MARGIN

Gross margin increased substantially in the year 2000 to 24.2% of sales from 17.9% of sales in 1999. The addition of the market-leading enterprise and screen-based telephones sets obtained in the Nortel acquisition contributed to the majority of the increase in gross margin. The addition of these full feature telephones resulted in a shift in the Corporation's sales from lower margin caller identification adjuncts to higher margin integrated telephone sets.

Aastra continues to sell its products direct to the telephone companies while selling through a distributor in the United States retail market. As a result of the Nortel acquisition, sales to the Telco market increased to 78% of total sales compared to 58% of sales in 1999. This shift in sales channels also contributed to the increase in gross margin. Finally, gross margin improved as Aastra was able to achieve price reductions on certain products from its third party contract manufacturers. The Corporation continues to use its understanding of new technology to reduce the cost while improving the performance of its products.

RESEARCH AND DEVELOPMENT EXPENSES

Aastra increased its research and development expenditures to $3,873,000 or 2.1% of sales in 2000 from $1,169,700 or 1.2% of sales in 1999. During 2000, Aastra increased its focus on strategically investing in research and new product and software development. Early in the year, the Corporation launched a new screen phone for the North American market. Although some delays were experienced, Aastra continued to research and began the development of Internet enabled products for the wired-line during 2000.

In the second half of 2000, Aastra added a team of engineers focused on emerging wireless technologies. Specifically, this group has focused on the impact and opportunities that Bluetooth technology could have on our market segments. This engineering group is currently focused on researching new opportunities with the objective of moving into product development in 2002. Also, in November 2000 the Corporation acquired a group of software engineers based in New Jersey as part of the Global acquisition. This group is focused on the development of leading edge server software that will further support and enhance our screen phone product line.

During 2000, Aastra recorded a benefit of $488,100, versus $321,000 in 1999, relating to tax credits from research and development activities. These tax credits were recorded as a reduction to reported research and development expenses.

SELLING AND ADMINISTRATIVE EXPENSES

Sales and administrative expenses increased approximately 80% to $13.8 million in 2000 from $7.7 million in 1999. As a result of the Nortel acquisition, the Corporation expanded its sales, marketing, and administrative functions. This included the opening of new offices in Calgary, Hong Kong, and Barbados as well as a new head office in Concord, Ontario. Administrative expenses also increased as the Corporation reviewed and implemented new systems and procedures to handle its increased transaction volumes. While staffing levels and operating costs increased, selling and administrative expenses have continued to decline from 7.9% of sales in 1999 to 7.3% of sales in 2000 as a result of the continued sales growth.

NET INCOME

Excluding the amortization of tooling and test equipment which was recorded in cost of sales, amortization expenses increased to $2.9 million in 2000 from $0.1 million in 1999. This increase is mainly a result of patents and goodwill acquired in the Nortel deal as well as the computer software obtained in the Global acquisition.

As a result of a strong cash position, interest income increased to $1.8 million in 2000. Income tax expense was $9.8 million in 2000 compared to $3.3 million in 1999. Income tax expense continued to be lower than the statutory tax rate of 44% as a result of the impact of taxable income earned in jurisdictions with lower tax rates than Canada. The resulting net income for the year was $17.2 million or $1.35 per share compared to $5.2 million or $0.55 per share in 1999.

Liquidity and Capital Resources

As at December 31, 2000, Aastra had $50.3 million of cash and marketable securities, compared to bank indebtedness of $0.7 million at the end of 1999. In January 2000, the Corporation raised gross proceeds of $55 million from the sale of 4.4 million warrants. In May 2000, these warrants were subsequently converted to common shares of the Corporation for no additional proceeds. During 2000, the Corporation used $46.1 million for the acquisition of Global and the Access Solutions product line from Nortel.

Cash flow from operations was $51.3 million in 2000. In addition to strong earnings, operating cash flow increased by $17.2 million as certain prepaid product purchases from the Nortel acquisition were utilized during the year. Also, operating cash flow increased by $22.9 million as the Company increased its purchasing volume and also received improved trade credit terms from certain suppliers. Accounts receivable increased by $16.4 million as a result of higher revenue as well as an increase in receivable aging to 59 days in 2000 from 52 days in 1999. The aging increase was due to a higher percentage of Telco sales.

During 2000, Aastra invested $3.0 million in capital assets and also used $5.1 million to repurchase its own common shares in the second half of the year. At the end of December 31, 2000, Aastra had net working capital of $54.8 million compared to $11.3 million as at December 31, 1999.

Management believes that its current bank balances and cash generated from operations will be sufficient to satisfy the Corporation's operating requirements for the next 12 months. In the longer term, the Corporation may require additional external sources of debt or equity financing to fund future research and development activities or acquisitions.

Business Risks and Uncertainties

Aastra has historically been dependent on a small number of very large customers. While the Nortel acquisition helped expand its customer base, Aastra's top five customers still account for approximately 55% of its revenue. If any significant customer discontinues its relationship with Aastra for any reason, the operating results and financial condition of the Corporation may be materially adversely affected.

In addition, given the nature of Aastra's products and its customers, Aastra generally receives purchase orders from its customers between one and three months prior to the required shipment dates. As a result, Aastra's quarterly financial results could be impacted significantly by the timing of substantial orders and shipments as well as the timing of new product introductions. If sales are not realized as anticipated, Aastra's quarterly financial results could be materially adversely affected and such results may not meet the expectations of analysts or investors.

Aastra currently outsources the manufacturing of its products to third party contract manufacturers. Aastra currently uses approximately five key third party manufacturers, located in Southeast Asia and Mexico. Although Aastra has taken several measures to control the quality and on-time delivery of its products by these manufacturers, Aastra is unable to control all aspects of its third party manufacturers. If a supplier discontinued or restricted the supply of any product for whatever reason, with or without penalty, Aastra's business may be harmed by the resulting delays. This could result in a material adverse affect on the financial condition of Aastra.

As part of Aastra's business strategy, it may seek to grow by acquiring businesses, products, technologies or establishing joint ventures that it believes will complement its current or future business. Aastra may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire products or technologies into its business. Aastra cannot assure that it can complete any acquisition it pursues on favourable terms, or that any acquisitions completed will ultimately benefit Aastra's business.

The industry in which Aastra competes has many participants who own, or claim to own, intellectual property. From time to time, a third party may claim that Aastra infringes such third party's intellectual property rights or may challenge Aastra's rights to its own intellectual property. In such event, Aastra undertakes a careful review to determine what, if any, actions should be taken with respect to such a claim. Any claim, whether or not with merit, could be time-consuming to evaluate, result in costly litigation, cause product shipment delays or stoppages or require Aastra to enter into licensing agreements that may require the payment of a license fee and/or royalties to the owner of the intellectual property. Such licensing agreements, if required, may not be available on royalty or other licensing terms acceptable to Aastra.

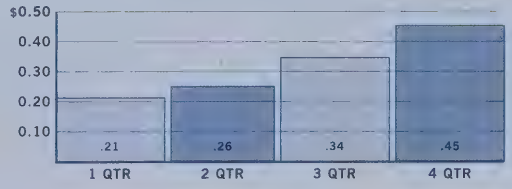
A significant portion of the Corporation's sales are based in U.S. dollars to customers based in the United States or Latin America. The risk of currency fluctuations between the Canadian and U.S. dollar is reduced as the Corporation purchases the majority of its products in U.S. dollars. The Corporation also continues to monitor its exposure to fluctuations between the Canadian and U.S. dollar. Aastra has, from time to time, entered into forward contracts to effectively manage this foreign currency exposure.

Current Outlook

Aastra entered into 2001 with a strong market position in its caller ID, screen phone and enterprise telephone categories. While the uncertain economic climate in 2001 will undoubtedly impact Aastra in all segments of its current business operations, the Corporation will focus on new product development initiatives that it believes will provide growth opportunities to offset the negative impact of a weaker economy.

In addition, Aastra ended 2000 with a strong financial position including over $50 million in cash and marketable securities. With the recent weakness in the North American equity markets, the Corporation will actively look for acquisition opportunities that will complement its current business.

2000 EARNINGS PER SHARE
FULLY DILUTED



Management's Responsibility For Financial Reporting

The accompanying consolidated financial statements and all other information included in this annual report has been prepared by and is the responsibility of management. The consolidated financial statements have been prepared in accordance with accounting principals generally accepted in Canada and reflect management's best estimates and judgements based on information currently available. All other financial information in the report is consistent with that contained in the financial statements. The Company maintains appropriate systems of internal control, policies and procedures that provide management with reasonable assurance that assets are safeguarded and that its financial information is reliable.

The consolidated financial statements have been audited by KPMG LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

F. Shen

Au Brett

Francis N. Shen
Chairman of the Board

Allan J. Brett
Chief Financial Officer

Toronto, Ontario
February 11, 2001

Auditors' Report To The Shareholders

We have audited the consolidated balance sheets of Aastra Technologies Limited as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 9, 2001

Consolidated Balance Sheets

December 31, 2000 and 1999

		2000		1999
Assets				
Current assets:				
Cash	$	**7,563,142**	$	-
Marketable securities (note 3)		**42,736,222**		-
Accounts receivable		**30,443,878**		13,658,180
Notes receivable (note 4)		**2,110,287**		250,000
Inventories (note 5)		**16,663,429**		7,514,968
Deposits and prepaid expenses (note 6)		**82,479**		4,476,458
Future income taxes (note 14)		**2,084,680**		-
		101,684,117		25,899,606
Future income taxes (note 14)		**1,420,320**		-
Capital assets (note 7)		**11,058,006**		968,661
Deferred development costs (note 8)		-		217,849
Goodwill (note 9)		**7,155,239**		247,498
Patents (note 10)		**6,015,301**		-
	$	**127,332,983**	$	27,333,614

Liabilities and shareholders' equity				
Current liabilities:				
Bank indebtedness (note 11)	$	-	$	693,409
Accounts payable and accrued liabilities		**39,347,223**		11,071,405
Income taxes payable		**7,489,771**		2,874,141
		46,836,994		14,638,955
Shareholders' equity:				
Share capital (note 13)		**56,463,519**		5,845,940
Retained earnings		**24,032,470**		6,848,719
		80,495,989		12,694,659
Commitments and contingencies (note 18)				
	$	**127,332,983**	$	27,333,614

See accompanying notes to consolidated financial statements.

On behalf of the Board:

F. Shen Director

Anthony Shaw Director

Consolidated Statements of Earnings

Years ended December 31, 2000 and 1999

	2000	1999
Sales	$ 188,651,306	$ 97,069,171
Cost of goods sold	142,905,607	79,701,491
	45,745,699	17,367,680
Expenses (income):		
Selling, general and administrative	13,788,273	7,658,762
Research and development	3,872,975	1,169,676
Amortization	2,871,052	123,227
Interest	(1,805,079)	(19,464)
	18,727,221	8,932,201
Earnings before income taxes	27,018,478	8,435,479
Income taxes (recovery) (note 14):		
Current	11,666,327	3,379,001
Future	(1,831,600)	(98,596)
	9,834,727	3,280,405
Net earnings	$ 17,183,751	$ 5,155,074
Earnings per share (note 13(e)):		
Basic	$ 1.35	$ 0.55
Fully diluted	1.26	0.51

Consolidated Statements of Retained Earnings

Years ended December 31, 2000 and 1999

	2000	1999
Retained earnings, beginning of year	$ 6,848,719	$ 1,693,645
Net earnings	17,183,751	5,155,074
Retained earnings, end of year	$ 24,032,470	$ 6,848,719

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2000 and 1999

	2000	1999
Cash provided by (used in):		
Operations:		
Net earnings	$ 17,183,751	$ 5,155,074
Items not involving cash:		
Amortization of capital assets	2,659,142	381,679
Amortization of deferred development costs	376,517	195,849
Amortization of goodwill	738,501	37,596
Amortization of patents	1,504,800	-
Future income taxes	(1,831,600)	(98,596)
Change in non-cash operating working capital (note 16)	30,677,533	(6,969,211)
	51,308,644	(1,297,609)
Financing:		
Repurchase of common shares	(5,079,977)	-
Issuance of common shares	54,024,156	352,930
	48,944,179	352,930
Investments:		
Business acquisitions	(46,058,147)	-
Purchase of marketable securities	(42,736,222)	-
Deferred development costs	(158,668)	(38,755)
Purchase of capital assets	(3,043,235)	(452,403)
	(91,996,272)	(491,158)
Increase (decrease) in cash	8,256,551	(1,435,837)
Cash (bank indebtedness), beginning of year	(693,409)	742,428
Cash (bank indebtedness), end of year	$ 7,563,142	$ (693,409)
Supplemental cash flow information:		
Interest paid	$ -	$ 38,489
Income taxes paid	7,050,697	121,820
Interest received	1,298,116	57,953

See accompanying notes to consolidated financial statements.

Aastra Technologies Limited (the "Company") is incorporated under the Canada Business Corporations Act. Its principal business activities include the design, development and distribution of telecommunication products.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements include the accounts of the Company and its wholly owned subsidiaries, Aastra Telecom Inc., Aastra Telecom U.S., Inc., Aastra Telecom (Barbados) SRL, Global ADSI Solutions, Inc., Aastra Eaccess Inc. and Aastra Telecom (Far East) Limited.

(b) Marketable securities:

Marketable securities are recorded at the lower of cost and fair market value.

(c) Inventories:

Raw materials are stated at the lower of cost, determined on a weighted average cost basis, and replacement cost. Finished goods and work in progress are stated at the lower of cost, determined on a weighted average cost basis, and net realizable value.

(d) Capital assets:

Capital assets are stated at cost. Amortization is provided on a straight-line basis using the following annual rates:

Tooling	20%
Computer hardware	20%
Equipment	10%
Leasehold improvements	Over lease term
Computer software	50%
Furniture	20%

(e) Research and development costs:

Research costs are expensed in the year in which they are incurred. Development costs are expensed in the year incurred unless such costs meet the criteria for deferral and amortization under generally accepted accounting principles. Amortization is provided on a straight-line basis over three years, commencing in the year that the new product development is completed and commercial production commences. On an ongoing basis, management reviews the unamortized balance to ensure that the deferred development costs continue to satisfy the criteria for deferral and amortization. Deferred development costs which no longer satisfy the criteria for deferral and amortization are written off.

(f) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, and is being amortized on a straight-line basis over a period of 10 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be permanent impairments based on expected undiscounted cash flows.

(g) Patents:

Patents are recorded at the fair market value on the date of purchase and are being amortized on a straight-line basis over five years.

(h) Foreign currency translation:

The Company's foreign subsidiaries are considered to be integrated foreign operations. Foreign-denominated monetary assets and liabilities of Canadian and foreign operations are translated into Canadian dollars at the rates of exchange prevailing at the balance sheet dates. Other assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing when the assets were acquired or the liabilities incurred. Sales and expenses are translated at the average exchange rates prevailing during the year, except for depreciation and amortization which are translated at the same rates as those used in the translation of the corresponding assets. Translation gains or losses are included in the determination of net income.

(i) Income taxes:

Effective January 1, 2000, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for income taxes. The CICA's new standard adopts the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on differences between the accounting basis and the tax basis of assets and liabilities and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities. Previously, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on differences in the timing of reporting income and expenses in the financial statements and tax returns and was measured using the tax rates in effect in the period the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

The Company has adopted the new income tax accounting standard and has applied the provisions retroactively. The cumulative effect of this change in accounting policy is insignificant and, accordingly, the financial statements for the prior year has not been restated.

(j) Investment tax credits:

The Company is entitled to Canadian federal and provincial investment tax credits which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature and a reduction of the related asset cost for items of a long-term nature, provided that the Company has reasonable assurance that the tax credits will be realized.

(k) Use of estimates:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year. Actual results could differ from those estimates.

(l) Stock option plan:

The Company has a stock option plan described in note 13(c). No compensation expense is recognized for this plan when stock options are issued to employees, officers or directors. Consideration paid on the exercise of the options is credited to share capital. If stock or stock options are purchased from employees, the excess of the consideration paid over the carrying value of the stock option cancelled is charged to retained earnings.

2. **Business acquisitions:**

(a) On January 25, 2000, the Company acquired certain inventory, tooling and test equipment, as well as patents in respect of certain products of Nortel Networks Corporation's Access Solutions business unit. The purchase price was paid in cash. Assets acquired at their respective fair market values were approximately as follows:

Net assets:	
Prepaid expenses	$ 32,177
Prepaid purchases	12,647,275
Inventories	13,394,631
Capital assets	6,608,709
Patents	7,520,101
Goodwill	7,646,242
	47,849,135
Less liabilities assumed	4,916,988
Total consideration	$ 42,932,147

(b) Effective November 6, 2000, the Company acquired 100% of the outstanding shares of Global ADSI Solutions, Inc., a producer of leading edge software solutions and products for screen-based telephony networks. The purchase price was paid in cash. The Company may be required to pay additional consideration, to a maximum of $900,000 (U.S. $600,000), based on the attainment of certain operating results for the period of one year ending October 31, 2001. The acquisition has been accounted for using the purchase method of accounting. Goodwill resulting from the purchase is nil. Future consideration, if any, will be accounted for as computer software at the time it becomes payable.

The fair value of the net assets acquired at November 6, 2000 was as follows:

Net assets:	
Prepaid expenses	$ 76,571
Accounts receivable	417,761
Other current assets	38,319
Computer software	3,083,356
Other capital assets	13,187
	3,629,194
Less liabilities assumed	503,194
Total consideration	$ 3,126,000

3. **Marketable securities:**

As at December 31, 2000, the carrying value of marketable securities is $42,736,222 (1999 - nil), which approximates the fair market value.

4. **Notes receivable:**

	2000	1999
Balance, beginning of year	$ **250,000**	$ 436,332
Advances	**2,214,579**	410,000
Repayments	**(354,292)**	(596,332)
Balance, end of year	$ **2,110,287**	$ 250,000

The balance receivable was loaned to individuals who are both directors and officers of the Company for the purpose of a housing purchase and the purchase of common shares of the Company. These loans are non-interest bearing, unsecured and repayable on demand. It is expected that these loans will be repaid prior to December 31, 2001.

5. **Inventories:**

	2000	1999
Raw materials	$ **1,213,775**	$ 729,870
Work in progress	**-**	731,659
Finished goods	**13,075,709**	2,043,558
In-transit goods	**2,373,945**	4,009,881
	$ **16,663,429**	$ 7,514,968

6. **Deposits and prepaid expenses:**

	2000	1999
Deposit on asset acquisition	$ **-**	$ 4,350,000
Other prepaid expenses	**82,479**	126,458
	$ **82,479**	$ 4,476,458

7. **Capital assets:**

2000	Cost	Accumulated amortization	Net book value
Tooling	$ 6,224,937	$ 2,814,101	$ 3,410,836
Computer hardware	736,770	333,476	403,294
Equipment	3,068,348	638,458	2,429,890
Leasehold improvements	1,650,340	81,627	1,568,713
Computer software	3,496,016	380,440	3,115,576
Furniture	211,079	81,382	129,697
	$ 15,387,490	$ 4,329,484	$ 11,058,006

1999	Cost	Accumulated amortization	Net book value
Tooling	$ 1,475,997	$ 1,015,233	$ 460,764
Computer hardware	405,420	249,699	155,721
Equipment	341,677	124,462	217,215
Leasehold improvements	162,458	113,680	48,778
Computer software	142,661	109,112	33,549
Furniture	110,790	58,156	52,634
	$ 2,639,003	$ 1,670,342	$ 968,661

During 2000, amortization of $2,407,908 is included in cost of goods sold (1999 - $491,897).

8. **Deferred development costs:**

	2000	1999
Deferred development costs, beginning of year	$ 217,849	$ 374,943
Additions	158,668	38,755
	376,517	413,698
Less amortization	376,517	195,849
Deferred development costs, end of year	$ -	$ 217,849

9. **Goodwill:**

	2000	1999
Goodwill	$ 8,022,193	$ 375,951
Less accumulated amortization	866,954	128,453
	$ 7,155,239	$ 247,498

10. **Patents:**

	2000	1999
Patents	$ 7,520,101	$ -
Less accumulated amortization	1,504,800	-
	$ 6,015,301	$ -

11. **Bank indebtedness:**

The Company has an operating line facility of up to $12.5 million. The operating line bears interest at prime plus 0.50% per annum and is repayable on demand.

The bank indebtedness is secured by a registered general assignment of accounts receivable, a general security agreement over all assets and guarantees and postponements of claims by related companies.

12. Financial instruments:

The carrying amounts in the consolidated balance sheet of all current financial assets and liabilities approximate the fair value due to the short-term maturities of these instruments.

The Company sells the majority of its products and services to telecommunication companies in Canada, the United States and Mexico. Although the Company's exposure to credit risk associated with non-payment by these customers is affected by conditions or occurrences within its industry, the Company performs ongoing credit evaluations of its customers' financial condition to reduce its credit risk exposure.

The Company's three largest customers accounted for approximately 38% of sales in 2000 (1999 - 71%), and approximately 17% of accounts receivable at December 31, 2000 (1999 - 70%). Accounts receivable denominated in U.S. dollars were Cdn. $22,515,099 at December 31, 2000 (1999 - $11,976,203). U.S. dollar accounts receivable include Cdn. $2,998,925 at December 31, 2000 (1999 - $8,549,306) from customers in Mexico.

To reduce exposure to credit loss, the Company arranged government financing for the Mexican customers, which provides for up to 85% of sales on delivery of goods.

From time to time, the Company uses forward contracts to hedge its exposure to foreign exchange. As at December 31, 2000 and 1999, the Company had no foreign exchange contracts outstanding. The Company's exposure to fluctuations in the value of the United States dollar is partially mitigated by United States dollar-denominated accounts payable and accrued liabilities of Cdn. $21,945,168 (1999 - $6,165,504).

13. Share capital:

(a) Authorized:

Unlimited preferred shares, without nominal or par value
Unlimited common shares, without nominal or par value

Issued and outstanding:

	Common shares	Amount
Balance, December 31, 1998	9,218,101	$ 5,493,010
Shares issued on exercise of options	148,000	105,430
Shares issued on exercise of warrants	230,000	247,500
Balance, December 31, 1999	9,596,101	5,845,940
Special warrant issue	4,400,000	52,562,251
Shares repurchased	(564,691)	(5,079,977)
Shares issued on exercise of options	661,200	1,956,555
Shares issued on exercise of warrants	193,000	1,178,750
Balance, December 31, 2000	14,285,610	$ 56,463,519

(b) Private placements:

On January 24, 2000, the Company entered into an underwriting agreement, whereby it agreed to create, issue and sell 4,400,000 Special Warrants at a price of $12.50 each for gross proceeds of $55,000,000. On May 2, 2000, each Special Warrant was converted into one common share of the Company for no additional proceeds.

In addition, the Company granted the underwriters Special Compensation Warrants exercisable for two years after the closing date of the Special Warrants (January 25, 2000), without additional consideration, to acquire Compensation Warrants, which entitle the holder during this two-year period to acquire up to 220,000 common shares for a price of $12.50 each. An underwriter may elect, in lieu of satisfying the price of Compensation Warrants in cash, to receive the number of common shares equivalent to the difference between the closing price of the common shares and $12.50 for the number of Compensation Warrants exercised.

(c) Stock options:

Pursuant to its stock option plan, the Company has granted stock options to certain employees, officers and directors. Under this plan, 2,000,000 common shares of the Company were reserved for the issuance of stock options. The plan provides that the terms of the options and the option price shall be fixed by the directors subject to restrictions imposed by any Canadian stock exchange on which the common shares are listed for trading. Stock options granted may not be exercisable for a period longer than five years. Stock options currently granted vest evenly over periods from two to four years and expire between five and 10 years from the date of grant.

Stock option transactions were as follows:

	Number of shares under option	Weighted average exercise price per option
Balance, December 31, 1998	300,000	$ 0.89
Granted	600,000	3.45
Granted	160,000	5.00
Exercised	(148,000)	0.71
Cancelled	(99,800)	4.92
Balance, December 31, 1999	812,200	3.13
Granted	1,013,700	9.50
Granted	40,000	9.00
Exercised	(661,200)	2.96
Cancelled	(90,000)	5.36
Balance, December 31, 2000	1,114,700	8.73

Issued and outstanding stock options expire as follows:

	Number of stock options	Weighted average price per option
2001	84,500	$ 3.85
2005	548,200	9.50
2010	482,000	9.46
	1,114,700	8.73

(d) Share purchase warrants:

	Number of shares	Year of expiry	Weighted average exercise price
Balance, December 31, 1998	335,000	2000	$ 0.97
Exercised during 1999	(230,000)	-	1.08
Balance, December 31, 1999	105,000	2000	0.75
Issued during 2000	220,000	2002	12.50
Exercised during 2000	(193,000)	-	6.11
Balance, December 31, 2000	132,000	2002	12.50

(e) Earnings per share:

Basic earnings per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of shares issued and outstanding is 12,762,555 (1999 - 9,375,978).

Fully diluted earnings per share are calculated after taking into account all stock options and warrants granted.

(f) Paid-up capital:

As at December 31, 2000, the legal paid-up capital of the Company is $56,658,273 (1999 - $6,040,694) and differs from the recorded value due to the application of reverse takeover accounting.

14. Income taxes:

As disclosed in note 1(i), the Company adopted the liability method of accounting for income taxes.

The effect of temporary differences that give rise to significant future income taxes are as follows:

Share issue costs	$ 1,397,073
Reserves	1,592,153
Capital assets	501,089
Goodwill	14,685
	$ 3,505,000

Future income taxes are classified as follows:

Current	$ 2,084,680
Non-current	1,420,320
	$ 3,505,000

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 43.9% (1999 - 44.6%) to earnings before income taxes. The reasons for the differences are as follows:

	2000	1999
Computed tax expense	$ 11,861,100	$ 3,762,200
Increase (decrease) resulting from:		
Effect of different tax rates on earnings of foreign subsidiaries	(3,191,700)	(737,900)
Permanent differences	546,375	(101,300)
Other	618,952	357,405
	$ 9,834,727	$ 3,280,405

15. **Investment tax credits:**

The Company realized a benefit of $488,100 (1999 - $321,000) relating to investment tax credits. These tax credits are recorded as a reduction to reported research and development expenses.

16. **Change in non-cash operating working capital:**

	2000	1999
Accounts receivable	$ **(16,367,937)**	$ (8,059,177)
Notes receivable	**(1,860,287)**	186,332
Inventories	**4,246,170**	(2,004,919)
Deposits and prepaid expenses	**17,188,321**	(4,307,954)
Accounts payable and accrued liabilities	**22,855,636**	4,342,366
Income taxes payable	**4,615,630**	2,874,141
	$ **30,677,533**	$ (6,969,211)

17. **Segmented and geographical information:**

Segment disclosures:

The Company operates in one business segment, which is the consumer telecommunications equipment market.

Revenue by geographic area:

Net sales were derived from customers based on the following geographic areas:

2000	Sales to third party customers	Intercompany sales	Total
		(000's)	
United States	$ 118,597	$ 6,758	$ 125,355
Canada	52,020	343	52,363
Mexico	16,934	-	16,934
Barbados	-	57,501	57,501
Other	1,100	-	1,100
	188,651	64,602	253,253
Elimination	-	(64,602)	(64,602)
	$ 188,651	$ -	$ 188,651

1999	Sales to third party customers	Intercompany sales	Total
		(000's)	
United States	$ 75,946	$ 5,125	$ 81,071
Canada	5,694	-	5,694
Mexico	15,429	-	15,429
Barbados	-	8,543	8,543
	97,069	13,668	110,737
Elimination	-	(13,668)	(13,668)
	$ 97,069	$ -	$ 97,069

Substantially all of the Company's identifiable assets as at December 31, 2000 and 1999 are located in Canada, except for $7,578,000 of inventory located in the United States (1999 - nil) and $3,723,000 of net capital assets located in Mexico (1999 - nil).

18. Commitments and contingencies:

(a) Lease commitments:

Maximum term payments under operating leases are approximately as follows:

2001	$	561,000
2002		566,500
2003		494,800
2004		494,800
2005		501,300
Thereafter		2,224,800
	$	4,843,200

(b) Royalties:

The Company has entered into a licensing agreement, whereby it has the right to use certain trademarks on its products in the United States. Under the terms of the agreement, the Company is to make royalty payments of 5% of material cost of sales and is committed to minimum annual royalty payments. The contract is cancellable by the Company at any time and by the licensee if the Company does not achieve minimum sales volumes. Cancellation by the Company requires payment of the royalties for the year of cancellation plus a penalty. If the contract is cancelled by the Company during 2001, the cancellation fee and minimum royalty payment required would be $2.2 million.

Corporate Directory

Board of Directors

Francis N. Shen, P.Eng
Chairman and Chief Executive Officer
of the Company

Anthony P. Shen, P.Eng
President and Chief Operating Officer
of the Company

Yves Laliberte*
Operations Director,
Service Provider
Cisco Systems Canada Co.

Don Watt*
Chairman
The Watt Design Group

Hugues Scholaert, P.Eng*
Senior Vice-President
Aastra Telecom Inc.

*Member of the Audit Committee

Stock Exchange

Toronto Stock Exchange
Stock Symbol - AAH
Toronto, Ontario

Auditors

KPMG LLP
Chartered Accountants
Toronto, Ontario

Corporate Solicitors

McCarthy Tétrault
Toronto, Ontario

Bankers
HSBC Bank Canada
Mississauga, Ontario

Transfer Agent and Registrar

Computershare
Toronto, Ontario

Corporate Officers

Francis N. Shen, P.Eng
Chairman and Chief Executive Officer

Anthony P. Shen, P.Eng
President and Chief Operating Officer

Allan J. Brett, CA, CBV
Vice-President, Finance and Chief
Financial Officer

Hugues Scholaert, P.Eng
Senior Vice-President
Aastra Telecom Inc.

John Tobia, M.A.Sc., LL.B.
Vice-President, Legal & General Counsel,
Aastra Telecom Inc.

David R. Cook
Vice-President, Sales
Aastra Telecom U.S., Inc.

Bruce M. Cook
Vice-President, Sales
Aastra Telecom Inc.

Paulo Francisco, P.Eng
VP, Wireless & Internet
Systems Development
Aastra Telecom Inc.

Nick Tobia, P.Eng
VP, Advanced Wireless Devices
Aastra Telecom Inc.

Martin Sunstrum
VP, Advanced Comm.Terminals
Aastra Telecom Inc.

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07960

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1118 Campus Drive West
Morganville, New Jersey,
U.S.A.
07751

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